MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/ 2017

BFN2084 – PERSONAL FINANCE

(All Sections / Groups)

09 MARCH 2017
2:30 PM – 4:30PM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **7** pages with **Part A: MCQ and Part B: ESSAY**
2. Answer **ALL** questions and the distribution of the marks for each question is given.
3. Please write all your answers in the **Answer Booklet** provided.

Answer All Questions

Part A: Multiple Choice Questions. Choose the Best Answer (40 marks = 2 marks x 20)

1) Which of the following are considered to be personal financial statements?

A) Budget and credit card statements

B) Balance sheet and cash flow statement

C) Checkbook and budget

D) Tax returns

E) Bank statement and savings passbook

2) Current liabilities differ from long-term liabilities based on

A) the amount owed.

B) the financial situation of the creditor.

C) the interest rate charged.

D) when the debt is due.

E) current economic conditions.

3) A person's net worth would increase as a result of

A) reduced amounts owed to others.

B) reduced earnings.

C) increased spending for current living expenses.

D) decreased value of personal possessions.

E) decreased value of investments.

4) Ed Bostrom wants to reduce his fixed expenses. What action would be appropriate?

A) Get a part-time job

B) Eat more meals at home than in restaurants

C) Find a place to live with a lower rent

D) Save more money for the future

E) Buy on credit for items than might cost more later

Continued...

5) A trust has the purpose of

A) solving a person's financial problems.

B) obtaining low-interest loans.

C) handling daily money management activities.

D) managing the assets of a person.

E) improving a person's budgeting skills.

6) The purpose of a debit card is to

A) obtain a discount on consumer purchases.

B) make credit card purchases.

C) quickly obtain a cash loan.

D) make investments with an investment company.

E) transfer money electronically.

7) Although credit permits more immediate satisfaction of needs and desires, it

A) does increase total purchasing power.

B) does not increase total purchasing power.

C) does not diminish your ability to buy more goods and services on credit.

D) has no opportunity costs attached to it.

E) is always best to avoid credit purchases.

8) Financial institutions, the sources of credit,

A) come in all shapes and sizes.

B) play an important role in our economy.

C) offer a broad range of financial services.

D) All of the above choices are correct.

E) All of the above choices are not correct.

Continued...

9) Your bankcard has an APR of 18% and there is a 2% fee for cash advances. The bank starts charging your interest on cash advances immediately. You get a cash advance of RM600 on the first day of the month. You get your credit card bill at the end of the month. What is the total finance charge you will pay on this cash advance for the month?

A) RM12

B) RM 9

C) RM21

D) RM 0

E) None of the above.

10) Which interest formula may be used by creditors to determine how much interest you have paid at any point in a loan?

A) simple interest formula

B) compound interest formula

C) multiple compound interest formula

D) the rule of 78s

E) the rule of 72s

11) If you receive a phone call from a debt collector,

A) hang up on him/her and pray.

B) the debt collector must follow the call with a written notice.

C) dispute the fact that you owe the money.

D) threaten the collector with a law suit.

E) contact your attorney immediately.

Continued...

12) A personal opportunity cost associated with a consumer purchase refers to

A) buying on credit.

B) selecting a commonly known brand.

C) the influence of advertising on consumers.

D) time used to compare prices.

E) government regulation of deceptive business-government activities in an effort to prevent consumer fraud.

13) Which of the following types of warranties is a specific agreement created by the seller or manufacturer?

A) express

B) implied

C) full

D) contingent

E) limited

14) Ownership of an individual housing unit in a building is commonly called

A) a cooperative.

B) modular housing.

C) manufactured housing.

D) a condominium.

E) zoned housing.

15) The legal responsibility for the financial cost of another person's losses or injuries is referred to as

A) theft.

B) robbery.

C) liability.

D) assigned risk.

E) collusion.

Continued...

16) The additional living expenses component of a home insurance policy is designed to

A) pay for temporary housing while your home is repaired.

B) cover damage to property while away from home.

C) reimburse a homeowner for damage done by a visitor.

D) pay for medical expenses of people injured on your property.

E) pay for repairs caused by fire or other hazards.

17) Which type of health insurance policy may not cover all of your health insurance needs or may deny benefits if you lose your job?

A) group health

B) individual health

C) Basic health

D) Comprehensive medical

E) Disability income

18) In planning your insurance program, you should

A) seek advice from a competent financial adviser.

B) determine what insurance is required.

C) consider social security and other group insurance.

D) decide what type of insurance best meets your needs.

E) consider all of the above factors.

19) Perhaps the most common settlement options in a life insurance program are

A) lump-sum payment.

B) limited installment payment.

C) life income option.

D) proceeds left with the company.

E) All are common options.

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20) A contract stating that the annuitant will receive a fixed amount of income over a certain period or for life is called a

A) fixed-premium limited annuity.

B) fixed annuity.

C) variable annuity.

D) ERISA annuity.

E) participating annuity.

Part B: Essay Questions (60 marks). Answer All Questions

Question 1 (20 marks)

a) Cindy and John Appleby just inherited RM30,000 and would like to invest the money in a conservative mutual fund. Since they have never invested in mutual funds, they ask for your help. In your own words, describe the factors that can be used to evaluate a mutual fund investment. (10marks)

b) Why do investors purchase mutual funds instead of purchasing stocks, bonds, or other investments on their own? (10 marks)

Question 2 (20 marks)

a) What are the risks and rewards of investing in precious metals, gems, and collectibles?

(10 marks)

b) What are the two types of life insurance companies? What are the various types of insurance policies issued by them? (10 marks)

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Question 3 (20 marks)

a) Diane Rossiter lives with her two sons, ages 6 and 9. They have had difficulty managing their finances. What purposes could a budget serve for the Rossiters? What actions would you suggest for the budgeting process to be successful? (10 marks)

b) What factors influence the type of housing a family will select? (10 marks)

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